

**FairPoint Cutover Monitoring
Status Report
The Liberty Consulting Group
April 10, 2008**

Overview of Monitoring Activities

During March, the Liberty Consulting Group (“Liberty”) continued its normal monitoring activities as outlined in its previous monthly reports. In addition, Liberty held several calls with FairPoint and Capgemini to discuss system testing, data conversion, regulatory reporting, disaster response planning, and E911 in Maine. Liberty also monitored the FairPoint Wholesale User Forum on March 26.

Overview of Status

1. **Systems Development and Testing.**

Close.

As expected, the majority of FairPoint’s and Capgemini’s effort was in assuring a smooth transition for the closing of the transaction on March 31 and the first few days of FairPoint’s operations in April. By the end of March, there were no significant outstanding systems-related issues that would affect close, and from a purely systems perspective, the close appears to have been successful. There were a small number of unanticipated operational issues that arose after close, some of which affected a few customers; however, FairPoint generally addressed these issues quickly.

Cutover.

The testing of the cutover (independence) systems continues to proceed slowly. A number of test cases continue to be blocked either by incomplete software development or software defects, particularly in the ordering and provisioning functions. No test cases have yet been run that are truly end-to-end, that is, that proceed through the full set of systems and internal processing: for example, from the receipt of an order through service provisioning to the production of a bill and updates to the equipment inventory and customer service records. Furthermore, many system (end-to-end) test cases still need to be written. Liberty notes that FairPoint has announced a revised testing schedule to the wholesale users which includes a delay in the general (“Phase 3”) live CLEC testing until late May.

There are some systems that still need to be developed and their development will need to proceed without delays in order to meet an end-of-July cutover readiness date. Among these are the systems for E911 in Maine and for regulatory reporting in all three states.

Liberty received and reviewed Capgemini’s data conversion test plan, and believes that it is sound in overall structure. Liberty has requested more details about the data

conversion testing, including data conversion test cases, and is still waiting for this information.

2. Business Processes. Liberty reviewed the business process documentation for the FairPoint consumer and small business organization and updated documentation for the wholesale organization. Liberty also received and reviewed business process documentation for the operations support organization. Although these are all good initial documents, they are still works in progress.

In addition, Liberty received and reviewed updates to the FairPoint disaster response plans. As of close, FairPoint became a party to the mutual aid agreement with other major ILECs throughout the country, including Verizon. FairPoint also has filled in some of the gaps that Liberty and the state staffs have noted in the earlier disaster response plans. However, some aspects of the plans cannot be completed until after close and FairPoint has access to the former Verizon employees and documentation.

3. Personnel and Training. Liberty reviewed the number of employees by job function who ultimately transferred from Verizon to FairPoint at close. There was an additional loss of in the workforce of approximately 100 employees or four percent during March, and at close the workforce size was approximately ten percent less than that in May 2007. This appears to be a significant numerical loss, and although it is impossible to assess the impact based on numbers alone, Liberty notes that most of the recent job losses were in the ranks of network technicians.

Liberty also reviewed the status of new hires. Through the end of March FairPoint had added over 200 employees to support the new northern New England operations. This number is a bit under one-third of the number FairPoint has projected it will need after the TSA ends.

Liberty received and reviewed an updated employee training plan for the cutover systems. The update now takes into account the revised projected cutover date of September. Unfortunately, the plan calls for a further delay in commencement of the training, which will mean that almost none of the training will have been performed before the cutover readiness date of July 31. This means that it will be very difficult to determine the effectiveness of training before FairPoint provides its notice of readiness, if the current schedule holds.

4. Cutover Readiness Criteria. Liberty received an updated version of the cutover acceptance criteria and provided comments back to FairPoint. The set of criteria are close to an acceptable set but are not yet finalized.

Liberty is still waiting for a complete set of end-to-end system test cases, data conversion test cases, and the plans for user acceptance, performance, and operational readiness testing. Capgemini responded to Liberty's comments on the existing end-to-end test cases with a revised set that are a substantial improvement over the initial set. However, the test case set still needs additions and corrections before it is

complete. Capgemini and Liberty continue to hold frequent discussions about the test cases.

Evaluation of Status

The close of the transaction on March 31 appears to have been reasonably smooth from a systems point of view, although there were a small number of issues that arose in other operational areas, some of which affected a few customers. Overall, however, Liberty believes that the close process was successful. Liberty notes that there was a noticeable drop in the number of employees who ultimately transferred from Verizon at close, and it will be important to monitor the impact of this going forward.

There still is much to be accomplished to meet the end-of-July cutover readiness date. Although it is still too early to judge whether FairPoint will be able to meet this date, a number of key items will need to proceed exactly according to plan in order to do so. User acceptance testing, operational readiness testing, and the final development of the training materials depend on Capgemini's successful completion of systems development and testing. However, system testing continues to proceed slowly and there are a number of software defects that need to be fixed. Some key systems also are still in development. Even if all proceeds according to FairPoint's current schedule, it is not clear at this point how FairPoint will be able to demonstrate training readiness by the current anticipated cutover readiness notification date. FairPoint has made good progress in hiring new employees but will need to accelerate this process now that close has occurred.

Liberty still needs some additional items before it can make a final assessment of FairPoint's cutover readiness and testing process. These include a final version of the cutover acceptance criteria; additional detailed information on system test plans, including an updated and corrected set of end-to-end test cases; more information on the performance, user acceptance, and operational readiness test plans; a description of data conversion test cases; and additional business process documentation.